

PORTUGAL

1) QUANTITY OF AID

1.1. Current/Recent Quantity Performance:

Net ODA US\$m	614
% of GNI	0.27%

Source: OECD/DAC, preliminary 2008 data.

Between 2001 and 2007, Portugal's ODA increased relatively slowly in absolute amount but decreased relative to GNI (down from 0.25% to 0.22%). However, a spectacular increase in bilateral aid to Africa led to a 21.1% real increase in 2008, and pushed the ODA/GNI ratio to 0.27%

1.2. Future Quantity Intent

Portugal has committed in line with broader EU commitments to set ODA at 0.33% of GNI in 2006 and at 0.51% by 2010. The OECD/DAC estimates that this will equate to US\$ 1,119 million of Portuguese aid by 2010 (DAC, 2009). However, as debt relief played a central role in 2005-07 increases in Portuguese ODA, other types of aid will need to increase in prominence for future targets to be met.

2) KEY AGENCIES/MECHANISMS

2.1 Agencies and Structures

Institute for Portuguese Development Aid (IPAD- Instituto Português de Apoio ao Desenvolvimento)

Since 2003, IPAD, which is part of the Portuguese Ministry of Foreign Affairs, has been the central executive body responsible for managing and coordinating Portugal's development cooperation policy. Portugal has a highly decentralised aid programme spread over 15 different ministries plus universities, other public institutions and 308 municipal governments. Hence, IPAD's budget is small in relation to its mandate and as a proportion of the total budget: 13.9% in 2008 (EUR 42.4 million). Several other ministries are involved in development cooperation, including the Ministry of Education, Health, Science, Social Security, and Defence (see the website of IPAD – www.ipad.mne.gov.pt – or DAC (2006b, p51-53) for a more detailed explanation of Portuguese aid bodies). In 1999 the Government also passed a resolution encouraging Portuguese municipalities to establish cooperation programmes in coordination with the Foreign Affairs Ministry (Government of Portugal, 1999, p2599-2600).

Ministry of Finance (MoF)

The Ministry of Finance is the other main actor in Portuguese development cooperation, and is responsible for debt relief and multilateral contributions. The Ministry of Finance was solely responsible for 48% of ODA in 2006 (IPAD, 2007).

Council of Ministers for Co-operation (CIC)

The CIC's overarching mission is to strengthen political and strategic control over development co-operation. It was created to strengthen the co-ordination role of the Ministry of Foreign Affairs with respect to development co-operation policy, working together with other ministries and public and private organisations concerned. It is stipulated by law that the Commission should meet twice a year in plenary with all sectoral ministries involved in development co-operation.

Sociedade Financeira para o Desenvolvimento (SOFID)

A new financial institution is being created specifically to support the private sector, targeting least developed countries (LDCs) and Portuguese investors. The agency will fall under the responsibility of the Ministry of Foreign Affairs, the Ministry of Finance and the Ministry of Economy and Innovation. It will leverage some development co-operation financing and focus on export credit, capital risk and credit guarantees (DAC, 2006b, p22 and Government of Portugal, 2006).

Neither the Institute for Portuguese Development Aid (IPAD), nor the line ministries are represented in the field and the core of the Portuguese presence is the Portuguese Embassy, which is responsible for reporting, monitoring, and administration of projects and technical cooperation. However, Portugal is planning to set up local offices in its main partner countries (IPAD, 2006a, p14).

2.2 Key Policies and Documents

Strategic Vision for Portuguese Development Cooperation (IPAD, 2006b)

Portugal's major goals and priorities for development cooperation are outlined in its most recent strategic vision, which was put into law in December 2005. The document stresses 5 Guiding Principles: (i) commitment to the MDGs; (ii) reinforcing human security; (iii) promoting the Portuguese language; (iv) promoting sustainable economic development; and (v) contributing to international development discussions. (Focus areas that are outlined in this document are discussed in section 4.4).

Portuguese Memorandum of Cooperation 2006 (IPAD, 2007)

This memorandum, resembling an annual report, compiles much of IPAD's data on the period 2002-2006, and places it within the context of Portugal's sectoral and geographical priorities. It also reasserts Portugal's commitment to transversal issues such as fulfilling the MDGs, raising public awareness of development issues, engaging with fragile states, and promoting gender and environmental issues.

3) RECIPIENT COUNTRIES AND ALLOCATION CRITERIA

3.1. Recipient Countries

Delivering bilateral assistance to former colonies, especially PALOPS (*Países Africanos de Língua Oficial Portuguesa*, which include the following 5 countries: Angola, Cape Verde, Guinea-Bissau, Mozambique and Sao Tome & Principe) and Timor Leste, is an explicit goal of Portugal's bilateral cooperation (IPAD, 2006b, p25). In 2006, these countries were the six top recipients of bilateral Portuguese aid, with 75% of bilateral aid disbursed to Portuguese-speaking countries (IPAD, 2007).

Top ten countries	% of total ODA gross disbursements	% of bilateral ODA gross disbursements	US\$m
Cape Verde	12.9%	23.5%	52
Timor-Leste	9.2%	16.7%	37
Mozambique	5.5%	10.0%	22
Angola	5.2%	9.5%	21
Guinea-Bissau	3.5%	6.3%	14
Sao Tome & Principe	2.7%	5.0%	11
Bosnia-Herzegovina	2.2%	4.1%	9
Serbia	1.7%	3.2%	7
Afghanistan	1.5%	2.7%	6
Indonesia	0.5%	0.9%	2

Source: OECD/DAC, 2005-2006 data.

The top ten recipients listed above received 81.9% of bilateral ODA in 2005-06.

Distribution among different groups of recipients (% total bilateral ODA):

Least Developed Countries	75.6%
Other Low Income Countries	0.5%
Sub-Saharan Africa	58.4%

Source: OECD/DAC, 2005-2006 data.

3.2. Allocation Criteria

3.2.1. *Pre-selection criteria*

There are no pre-selection criteria for Portuguese aid beyond the targeting of ex-colonies and countries with historical links as discussed below.

3.2.2. *Allocation criteria:*

The *Strategic Vision for Portuguese Development Cooperation* (IPAD, 2006b) maintains the geographic focus on the PALOPS countries and Timor-Leste (DAC, 2006b, p11). These 6 countries are Portugal's priority countries. In addition to former colonies, Portugal will continue to allocate a portion of development assistance to other countries with whom it has 'historical connections', such as Morocco, Indonesia, Senegal, and South Africa, among others (IPAD, 2006b, p26).

4) AID POLICIES

4.1. Concessionalality

Grant share of bilateral ODA commitments (excluding debt reorganisation)	90.2%
Grant element of bilateral ODA to LDCs	95.1%

Source: OECD/DAC, 2005-2006 data.

4.2. Types of Assistance

Breakdown of different types of ODA (commitments unless otherwise stated):

	\$USm	% of gross bilateral ODA disbursements [denominator gross disbursements]
Stand-alone technical cooperation (disbursements)	116.6	55.3%
General budget support	1.5	0.7%
Sectoral projects and programmes (including some technical cooperation)	159.8	75.7%
Action related to debt	0.5	0.2%
Developmental food aid	-	-
Other commodity assistance	-	-
Emergency and distress (disbursements)	2.3	1.1%

Source: OECD/DAC, 2006 data.

Note: The breakdown into different types of assistance shown in the table is taken from different OECD/DAC data sources. As such, the final column does not add to 100%.

Technical Assistance (TA) is a significant component of Portuguese bilateral ODA. Historically TA has always constituted more than 50% of bilateral ODA. There are various types of TA – especially teacher training, the sending of cooperants, scholarships (not just in Portugal, but also internally within the partner country), technical assistance for capacity building of the partner countries' administrations, etc (IPAD, 2007). Paris indicator 4 on how much TA is co-ordinated with partner countries shows best practice in Cape Verde (100% co-ordinated).

Portuguese sectoral development assistance is overwhelmingly project based. Portugal's budget planning and programming processes make general budget support difficult, and this is further compounded by weak field presence and lack of decentralization to the country-level. In the early 1990s Portugal introduced budget support for the PALOP countries, but this was abandoned in the mid-1990s once Guinea-Bissau joined the CFA Franc Zone. Paris indicator 9 reports best practice for 'type of assistance' given by Portugal in Mozambique where 10% of its total aid portfolio is channelled through so-called Program Based Approaches (PBAs). However, HIPC's indicate that there is virtually no programme assistance, apart from occasional participation in sector programmes through projects.

4.3. Channels of Assistance

Portugal allocates approximately 47% of its ODA via multilateral organisations, of which 67% goes to the EC, 5% goes to UN agencies and 8% to the World Bank Group (Source: OECD/DAC, 2006 data). NGOs play a marginal, though increasing, role in development assistance, with only roughly 3.5% of bilateral aid allocated to NGOs in 2006 (IPAD, 2007).

As a member of the EU, Portugal signed up commitments in Paris in 2005 to channel 50% of government-to-government assistance through country systems. According to the HIPC-CBP survey, best practice on how much Portuguese aid is on-budget is to be found in Guinea-Bissau which indicates that about 50% is on-budget.

4.4. Sectors and Projects

Portugal's sectoral and thematic priorities are linked to achieving the MDGs in priority countries as well as applying Portugal's stated comparative advantages (*e.g.* language, culture and similar legal and institutional frameworks). General principles guiding Portuguese aid are: good governance, participation and democracy. Within this framework Portugal aims its interventions at the following three broad areas. Firstly, it aims to strengthen public administrations, the judicial system, public financial management, the rule of law, electoral systems, democratisation processes and civil society capacity. The second priority, namely sustainable development and the fight against poverty, covers health, rural development, environmental protection and the sustainable use of natural resources, economic growth and the private sector. Education for development constitutes the third priority of the new strategy. Portuguese co-operation targets no more than three or four priority topics in each country in an effort to limit sectoral dispersion (IPAD, 2006b).

Portugal's action plan to implement the Paris declaration targets the development of sectoral guidelines (education, gender and good governance in 2006 and health, rural development and environment in 2007) in key sectors in order to facilitate cooperation both with other donors' programs and partners' strategic choices (IPAD, 2006a, p13).

According to evaluations by HIPCs, Portuguese development assistance is not always well aligned to partner countries' priorities as expressed in national development plans/PRSPs, because of its high reliance on technical assistance and stand-alone projects. Best practice is found in Sao Tome & Principe where around 50% is aligned.

Sector	% of bilateral ODA (commitments)
Social and Administrative Infrastructure	65.1%
Of which: Education	30.3%
Health	4.8%
Population	0.0%
Water supply and sanitation	0.3%
Government and civil society	20.6%
Economic Infrastructure	12.2%
Of which: Transport and communications	11.8%
Energy	-
Production	1.5%
Of which: Agriculture	0.7%
Industry, mining, construction	0.7%
Trade and tourism	0.1%
Multi-sector	6.7%
Programme Assistance	1.6%
Action relating to debt	0.2%
Emergency aid	3.2%
Administrative expenses	5.9%
Unspecified	3.6%

Source: OECD/DAC, 2006 data.

4.5. Flexibility

Portugal does not have any specific mechanisms to flexibly disburse ODA in partner countries which are faced with budget/BoP deficits and/or external shocks. This is

borne out by HIPCs, where Portugal's best performance is in Guinea-Bissau, reflecting historical budget aid and emergency post-conflict support.

4.6. Predictability

Disbursements of Portuguese aid are subject to approval during the annual budgetary process, which leads to the so-called Annual Cooperation Programs or PACs. For the 6 priority countries, there is a three-year programming cycle, with an indicative financing framework (part of the Indicative Cooperation Programme or PIC). These are not firm commitments however (IPAD, 2006).

In its Paris implementation action plan, Portugal plans to adopt a multi-annual financial envelope when drawing up PICs, which "*must reflect firm – and not merely indicative – disbursement commitments*" (IPAD, 2006a, p12). The same document also states the intention to "*eliminate the need to draw up PACs*" as these have "*certain disadvantages, such as annual negotiations, the time spent by both parties and the risk of endangering programs already being implemented*". (IPAD, 2006a, p15).

In spite of its relatively short-term allocation process, it should be noted that its engagement in its 6 priority countries has been "*over the very long term*" (DAC, 2006b, p13), even though 5 of the 6 countries are fragile or conflicted affected states. HIPC assessments of Portuguese predictability vary, with Sao Tome & Principe indicating that most aid is subject to a multi-year framework. Sao Tome also indicates that around two-thirds of Portuguese aid is disbursed in the intended fiscal year. The Paris Survey indicator 7, which measures predictability as the ratio of disbursements recorded by Government compared to aid scheduled by donors, shows best practice in Mozambique (70%).

4.7. Conditionality

Given its lack of general or sector programme support, Portugal does not require any macroeconomic or sectoral policy conditions.

4.8. Policy Dialogue

The drafting of PICs is always carried out in collaboration with the national government and generally draws heavily upon national development plans and input. Hence, HIPCs indicate a high level of Portuguese involvement in policy dialogue (especially through the budget support group in Mozambique and the IDA Trust Fund for East Timor, as well as Sao Tome and Guinea-Bissau). On the other hand, disbursement decisions are in general taken independently from the BWIs. This is reflected in evaluations by HIPCs, with Sao Tome & Principe reporting no links whatsoever to BWI decisions.

5) AID PROCEDURES

5.1 Conditions Precedent

Portugal uses three-year Indicative Cooperation Programmes (Portuguese acronym PIC for Programa Indicativo da Cooperação) to guide cooperation in priority countries. The PICs are broken down into annual cooperation plans for specific projects. The Guidelines for PICs are based on the EU aid document: A Common

Framework for drafting Country Strategy Papers (EC, 2006a). Portugal aims to produce new PICs for all 6 priority countries in 2006 (Angola, Mozambique and Timor-Leste) and 2007 (Cape Verde, Guinea-Bissau and Sao Tome & Principe), and plans to introduce the measures reflecting its new “Paris thinking” as set out in its Paris action plan in these PICs (IPAD, 2006a). At the time of writing, Portugal was on course to meet these deadlines.

Portugal self-reports as frequently using Parallel Management Units (EC, 2006b, p74). The DAC Peer Review argues that this might in part because of the very weak capacity in the priority partner countries – as mentioned before 5 out of 6 of those can be considered fragile/conflict-affected states. Portugal’s Paris implementation plan shows willingness to reduce the number of PIUs (IPAD, 2006a, p12). Paris Indicator 6 shows for the two respondent countries (Cape Verde and Mozambique) no PIU in operation.

HIPCs indicate that Portugal does not require counterpart funding. Nevertheless, establishing PIUs and separate bank accounts, and recruiting staff can cause substantial delay. More information on Portuguese conditions precedent is still being collected.

5.2 Disbursement Methods

According to HIPCs, the bulk (more than 2/3) of Portuguese aid is paid either by reimbursement claims or direct disbursement to the suppliers (the latter generally favoured for TA), so that disbursement is rarely cash-in-to the government. Details of Portuguese disbursement methods are still being collected.

5.3 Disbursement Procedures

On the use of local Public Financial Management (PFM) systems, Paris indicator 5a indicates best practice in Mozambique where Portugal uses local PFM systems for nearly 11% of its aid. On the other hand, HIPCs indicate that Portugal tends to use its own reporting, accounting and auditing procedures rather than those of the government.

5.4 Procurement Procedures

Portugal complies with the 2001 “DAC Recommendation on Untying ODA to the LDCs”. However, *de facto* much of Portugal’s aid to the LDCs is not covered by the recommendation because it consists either of debt relief, technical co-operation or projects with a transaction value below the coverage threshold of SDR 700 000 (DAC, 2006b, p49). Hence, even though its untied aid that falls within the DAC 2001 recommendation has shot up from 57.7% in 2001 to 99.8% in 2004, the DAC still estimates that in 2006 18.3% of Portuguese ODA (excluding TA) was tied, and 20.5% partially tied. Tied and partially tied aid is still provided for the financing of small projects on a case by case basis, and the procurement process would still contain a call for tenders that is restricted to candidates from Portugal and the recipient country (IPAD, 2007). HIPCs also indicate a considerable level of tying (25-33%).

Paris indicator 5b (on use of local procurement systems), indicates best practice in Mozambique where Portugal uses local systems for 11% of its aid. HIPCs indicate that many goods and services are procured outside government systems and that this can cause 3-6 month delays.

Further details on Portuguese procurement practices are still being assembled.

5.5 Coordination

As a member of the EU, Portugal committed in 2005 in Paris to reduce the number of uncoordinated missions by 50%. Portugal has a published action plan on meeting Paris Declaration Commitments (IPAD, 2006a). However, according to the 2008 Paris Survey's Indicators 10a and 10b, Portugal did not conduct any joint missions or joint analytical work in the 2 surveyed countries.

Portugal is actively increasing coordination with the EU and other donors; such as, a malaria control project in Sao Tome undertaken in partnership with the USA (IPAD, 2005, p27). The development of new sectoral guidelines (see section 4.4) and the planned increased field-presence (see section 2) aim to help this process along (IPAD, 2006a, p13-14).

Portugal also coordinates with other donors through budget support, including with 15 donors in the budget support group in Mozambique, and in the Trust Fund for East Timor (TFET) managed by IDA (for updated information on country-specific harmonisation initiatives, see www.aidharmonisation.org).

Key Sources *(All internet sources were accessed in January 2009)*

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